

Message Text

CONFIDENTIAL

PAGE 01 MANAGU 01901 01 OF 02 240158Z

ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 ICAE-00 INRE-00 PM-05 H-01 INR-10 L-03
PA-01 SP-02 SS-15 AID-05 COME-00 EB-08 FRB-03
TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 HA-05
/084 W

-----036920 240209Z /65

O 232350Z APR 78

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC IMMEDIATE 6387

C O N F I D E N T I A L SECTION 1 OF 2 MANAGUA 1901

E.O. 11652 GDS

TAGS: EAID, PINT, SHUM, NU

SUBJECT PROPOSED EDUCATION LOAN TO NICARAGUA

REF: (A) MANAGUA 1881; (B) MANAGUA 1409; (C) 77 MANAGUA 5645

BEGIN SUMMARY: WE ARE CONCERNED THAT THE APPROVAL OF THE PENDING
EDUCATION LOAN TO THE GON NOW ON THE HEELS OF THE NUTRITION LOAN,
WOULD BE HIGHLY COUNTERPRODUCTIVE IN TERMS OF OUR POLICY OBJECTIVES
TOWARD
NICARAGUA. THE EDUCATION MINISTRY, WHICH WOULD BE THE SOLE CHANNEL FOR

THE LOAN FUNDS, IS DEEPLY EMBROILED IN A BITTER POLITICAL STRUGGLE
AND SCHOOLS ARE A FOCAL POINT FOR THAT STRUGGLE. WE HAD EARLIER
HAD MISGIVINGS ABOUT USING THAT HIGHLY POLITICIZED MINISTRY
AS THE ONLY VEHICLE FOR THE EDUCATION LOAN AND HAD BEGUN
RESTRUCTURING THE LOAN SO AS TO PROVIDE GREATER BALANCE
BOTH IN TERMS OF THE CONGRESSIONAL MANDATE AND OF OUR OVERALL
POLITICAL OBJECTIVES.

ACTION REQUESTED: WE VERY STRONGLY URGE THAT : (A) NO DECISION BE
TAKEN

TO APPROVE THE EDUCATION LOAN NOW AND (B) THIS MISSION BE GIVEN
TIME TO RESTRUCTURE THE LOAN. END SUMMARY.

CONFIDENTIAL

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PAGE 02 MANAGU 01901 01 OF 02 240158Z

1. EMBASSY UNDERSTANDS THAT A DECISION TO APPROVE THE PENDING
EDUCATION LOAN-GRANT PACKAGE (\$7 MILLION LOAN AND \$1.8 MILLION
GRANT) TO THE NICARAGUAN GOVERNMENT MAY BE MADE SHORTLY. FOR THE
FOLLOWING REASONS, WE HOPE THAT THIS IS NOT REPEAT NOT THE CASE:
(A) A \$3 MILLION NUTRITION LOAN TO THE GON HAS JUST BEEN APPROVED.
THIS LOAN HAS YET TO BE MADE PUBLIC AND WE CAN REASONABLY ANTICIPATE
THAT THE GON WILL USE IT AS A SYMBOL OF U.S. SUPPORT FOR THE SOMOZA

REGIME. IF, IMMEDIATELY ON THE HEELS OF THAT LOAN, WE WERE TO APPROVE AN EVEN LARGER (\$8.8 MILLION) LOAN PACKAGE TO THE GON, NICARAGUANS WOULD INTERPRET SUCH APPROVAL AS US INTERVENTION IN SUPPORT OF THE SOMOZA REGIME. THIS WOULD CLEARLY COUNTER OUR INSTRUCTIONS TO PERSUADE NICARAGUANS THAT WE ARE PURSUING A TRULY

NEUTRAL COURSE.

(B) APPROVING AN EDUCATION LOAN NOW WOULD COMPOUND THE PROBLEM BECAUSE

THE GON AGENCY WHICH WOULD BE THE CHANNEL FOR THAT LOAN IS THE MINISTRY OF EDUCATION. THAT MINISTRY AND ITS LEADER, MARIA HELENA DE PORRAS, ARE CURRENTLY EMBROILED IN A HIGHLY- PUBLICIZED STRUGGLE BETWEEN PRO- AND ANTI-SOMOZA FORCES, AND SCHOOLS HAVE BECOME A FOCAL POINT FOR THAT STRUGGLE. NEARLY ALL SECONDARY SCHOOLS IN MANAGUA AND OTHER URBAN

AREAS ARE CLOSED IN PROTEST OVER THE GON'S TREATMENT OF POLITICAL PRISON-

ERS AND OTHER HUMAN RIGHTS MATTERS. STUDENTS HAVE SEIZED A NUMBER OF SCHOOLS IN ORDER TO MANIFEST THEIR OPPOSITION TO VARIOUS ASPECTS OF

SOMOZA RULE. GUARDIA NACIONAL (GN) TROOPS HAVE RESPONDED IN SOME INSTANCES BY FORCIBLY OUSTING DEMONSTRATING STUDENTS. MOST NICARAGUAN S

WOULD NOT VIEW APPROVAL OF A LOAN TO BE ADMINISTERED BY THE EDUCATION MINISTRY AS BEING INDEPENDENT FROM THIS POLITICAL CONFLICT AND CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MANAGU 01901 01 OF 02 240158Z

STRIFE.(C) THE EDUCATION MINISTRY, WHICH WOULD BE THE CHANNEL FOR THE EDUCATION LOAN , HAD ALREADY BECOME HIGHLY POLITICIZED APART FROM THE CURRENT STRIFE. PRESIDENT SOMOZA HAS USED THAT MINISTRY AS A PRINCIPAL INSTRUMENT FOR MOBILIZING PARTICIPATION IN RALLIES AND OTHER

LIBERAL PARTY POLITICAL ACTIVITIES. MRS. PORRAS' STRONGLY PARTISAN VIEWS HAVE BEEN EXTENSIVELY REPORTED IN NICARAGUA'S TWO LEADING PAPERS. OPPOSITION

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PAGE 01 MANAGU 01901 02 OF 02 240145Z

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O 232350Z APR 78

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC NIACT IMMEDIATE 6388

C O N F I D E N T I A L SECTION 02 OF 02 MANAGUA 1901

DEMANDS FOR HER RESIGNATION HAVE NOW REACHED A STRIDENT PITCH.

(D) ASIDE FROM THE QUESTION OF THE TIMING OF ANY DECISION TO PROCEED WITH THE EDUCATION LOAN PACKAGE, WE HAVE TECHNICAL MISGIVINGS ABOUT USING THIS MINISTRY AS THE SOLE VEHICLE FOR THE LOAN.

THE EDUCATION MINISTRY IS PRESENTLY IMPLEMENTING AN \$11 MILLION IBRD LOAN AND THERE IS SOME QUESTIONS WHETHER THAT MINISTRY COULD NOW GEAR UP IMMEDIATELY TO ABSORB THE \$8.8 MILLION USAID PACKAGE WHICH HAS BEEN HELD DORMANT. AMBASSADOR HAS EXPRESSED HIS MISGIVINGS ABOUT THE LOAN

TO

PRESIDENT SOMOZA

(E). THESE MISGIVINGS PROMPTED US TO INITIATE A REVIEW OF THE EDUCATION

SECTOR AND OUR ROLE IN IT. WE ARE CONSIDERING ALSO INCLUDING THE PARTICIPATION OF NONGOVERNMENTAL, OR PERHAPS OTHER, LESS POLITICIZED

ELEMENTS

OF THE GON, IN A RESTRUCTURED EDUCATION PROPOSAL WITH A VIEW TO DEMON-

STRATING THE EVEN-HANDED NATURE OF OUR OVERALL AID PROGRAM.

2. POLICY IMPLICATIONS: WE FEEL THAT THE APPROVAL OF THE EDUCATION LOAN AT THIS TIME, WITHOUT ALLOWING US AN OPPORTUNITY TO RESTRUCTURE IT, COULD PROVE TO BE A MAJOR SETBACK TO THE EVEN-HANDED
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CONFIDENTIAL

PAGE 02 MANAGU 01901 02 OF 02 240145Z

POLICIES THAT THIS ADMINISTRATION HAS BEEN PURSUING IN NICAEAGUA.

BOTH PRO- AND ANTI-SOMOZA FACTIONS WILL

CONSTRUE THE LOAN'S APPROVAL NOW AS CLEAR AND STRONG MANIFESTATION OF USG

SUPPORT FOR THE SOMOZA REGIME.

3. WE UNDERSTAND THE CONGRESSIONAL MANDATE REGARDING SEPARATING AID TO THE POOREST SEGMENT OF SOCIETY FROM POLITICAL CONSIDERATIONS. THE

NUTRITION LOAN WHICH HAD JUST BEEN APPROVED SATISFIES THIS REQUIREMENT.)

WE ARE RESTRUCTURING THE EDUCATION LOAN SO AS TO SATISFY THAT CONGRESSIONAL MANDATE AS WELL AS OUR POLITICAL OBJECTIVES HERE. MOREOVER, WE HAVE SUBMITTED SEVERAL SMALL LOANS AND GRANT PROJECTS FOR BOTH THE PUBLIC AND PRIVATE SECTORS, WHICH PROVIDE THE BALANCE WE CONSIDER NECESSARY AND WHICH THE CHRISTOPHER COMMITTEE

MAY WISH TO APPROVE IN PRINCIPLE NOW. (SEPTTEL OUTLINING THESE SEPARATE PROJECTS FOLLOWS.)

4. ACTION REQUESTED: THE AMBASSADOR AND THE ACTING USAID DIRECTOR VERY STRONGLY URGE THAT (A) NO DECISION BE TAKEN TO APPROVE THE EDUCATION LOAN NOW, AND (B) THIS MISSION BE GIVEN TIME TO RESTRUCTURE THE EDUCATION LOAN. SOLAUN.

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